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ABSTRACT

Urban revitalization is an economic and social strategy that has been necessitated by decreased interest in both residence and commercialization within major cities. Urban business environments are confronted with many unique socioeconomic challenges, including discrimination against residents, negative stereotypes of urban areas, and inaccurate media coverage. Urban locations, however, also possess a number of advantages for businesses, such as a strategic location, proximity to concentrations of other entrepreneurial companies, large local markets, and a labor pool of loyal but modestly skilled workers. Because urban problems result from many intertwined social and economic factors, combating the problems requires a collaborative effort across the private sector, government, and community-based organizations. Through this collaboration, entrepreneurs can gain access to resources and build businesses in urban areas. New businesses need a highly attractive market, a strong management team, proven products, and a proven customer base to succeed. Entrepreneurs can find support to develop such businesses through microenterprise programs especially geared to the urban business environment. Examples of entrepreneurial success can be found by looking at individual companies as well as at more sweeping community trends. (KC)

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Urban Revitalization and Entrepreneurial Strategies

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Introduction

Urban revitalization is an economic and social strategy that has been necessitated by decreased interest in both residence and commercialization within major cities. Nationwide, metropolitan areas such as New York, Philadelphia, Chicago, and Los Angeles have long stood as examples of the growing disparity between wealth and poverty. For example, a homeless shelter is often neighbor to a skyscraper housing multi-million dollar companies. Researchers, government officials, and economic developers have grappled with how to address so-called urban blight, and the discussion still continues. This paper will outline real and perceived problems that businesses face in urban areas along with collaborative efforts between the public and private sectors aimed at resolving those problems. Within this context, strategies for the entrepreneur will be discussed and exemplified as integral components of urban revitalization.

Characteristics and Perceptions of the Urban Area

Urban business environments are confronted with many unique socio-economic challenges. Porter (1997) outlines the following examples of business-related problems: "discrimination against residents who are largely African American or Latino, high taxes and utility costs, difficulty in finding affordable insurance, crime, poorly maintained logistical infrastructure, burdensome regulations and permitting requirements, environmental pollution, and a weak education and training system" (p. 18). To complicate these problems, the public's largely negative perception of urban areas aids in dissuading potential businesses from choosing to locate in large cities. For instance, media coverage that solely spotlights crime and poverty not only can lead to misinformation but also to ignorance of the positive aspects of urban communities. Actually, urban locations boast a number of advantages for business:

- A strategic location near business centers, entertainment complexes, and transportation and communications hubs;
- A proximity to unique concentrations of competitive companies in related fields in which entrepreneurial clusters can be established;
- A large local market with substantial purchasing power and unmet commercial needs; and
- A readily-available pool of labor appropriate for businesses that rely on a loyal yet modestly skilled workforce (Porter, 1997); (Harrison & Glasmeier, 1997).

Effective urban revitalization efforts strive to address both the real and perceived problems of the urban business environment. To change public attitudes, positive publicity about the competitive advantages of urban areas is important in revitalization.

Revitalization through Collaboration

Because urban problems result from many intertwined social and economic factors, combating the problems requires a collaborative effort across sectors. In particular, the private business sector, the government, and community-based organizations (CBOs) are three key participants. In a coordinated and cooperative manner, each of these three groups contribute to the shared goal of revitalization.

In the private sector, the involvement of lenders, investors, retailers and the real estate industry is essential in creating commerce and jobs. For-profit venture capital firms are one type of business that supports the establishment of new businesses in urban areas. For-profit firms also bring to the collaboration additional business contacts and potential participants within and outside the urban area.

The federal, state and local governments, playing a supportive role to the private sector in revitalization, can serve to broker, finance, and otherwise facilitate business development. Furthermore, by decreasing the burden of taxation and regulation, the government constitutes a crucial component in the improvement of the urban business climate. It can also play an active role in some cities through federal or state programs such as the sponsorship of Community Development Corporations (CDCs) and Enterprise Zone legislation. Leitner (1997) emphasizes the government's significant role by warning that no matter how resourceful local initiatives that involve local business and community-based organizations may be, only federal, state, and local governments have the fiscal and political capacity to fully address issues of urban revitalization.

While the government role may be paramount to revitalization, community-based organizations (CBOs) are nonetheless integral. CBOs, which are non-profit, often grass-roots agencies, are important in revitalization in that they encourage community involvement in the endeavor, focus attention on the social dimensions of revitalization, and act as mediators in public discourse. As part of revitalization, CBOs often fill the gaps in services for residents, for example, in education, job training and child care.

In general, with the participation of the private business sector, the government, and community-based organizations, multiple levels of urban problems

can be addressed in concert. This three-way relationship is a powerful one within which entrepreneurs can gain access to resources through either organized training and lending programs or through informal networking.

Entrepreneurial Strategies in Revitalization

Bates (1997) enumerates elements that an urban venture capital company, called Mesbic Ventures, considers vital to the success of newly established businesses:

1 A highly attractive market;
2 A strong management team that knows exactly which markets to target; and
3 A proven customer base (p. 42).

Before Mesbic Ventures will invest in an already existing company, it uses the following list to screen potential clients:

1 A Proven management team;
2 A Proven product and/or service;
3 Steady annual sales, with at least 12 consecutive months of recent profitability;
4 Good internal accounting and financial controls;
5 A written business plan with three- to five-year projections;
6 Audited financial statements;
7 Established products or services not subject to obsolescence; and
8 Strong personal credit rating of top managers (Bates, 1997, p. 43).

The above elements, while critical to any business in any location, are even more critical to overcome the challenges of the urban area.

Entrepreneurs can find support in the development of the above business practices through microenterprise programs especially geared to the urban business climate. Such programs may not result in high economic returns for a given urban area, but they do provide an avenue for individuals to gain skills and self-sufficiency. Servon (1997) describes three microenterprise programs in U.S. inner cities: Women's Initiative for Self Employment (WISE) in San Francisco/Oakland, Working Capital in Boston; and Accion New York.

The mission of WISE is the individual economic empowerment of low-income women through entrepreneurial training and individual lending. Instead of working toward the goal of business start-up, this organization works to lay the important foundations of self-sufficiency and confidence in their clients.

The emphasis of a project called Working Capital, in Boston, is community empowerment by "building a web of small business operating throughout disenfranchised communities" (Servon, 1997, p. 174). This network of 200 businesses benefits from ongoing training and lending opportunities.

Brooklyn-based Accion New York is a subsidiary of Accion International, which is active throughout Latin America. Serving the Latino community in New York City, Accion New York provides market-rate loans and basic business training. Its emphasis on microlending and its business-oriented approach make it a viable alternative credit institution for low-income urban entrepreneurs.

The support of a microenterprise program is indeed helpful, but not a prerequisite to success. Entrepreneurship is catching on in urban settings all on its own through the ambitions of individuals and communities. The following examples - one of a specific company in the inner city and one of an emerging trend in Latino neighborhoods - are testimony to both the individual and the community-wide successes of urban entrepreneurism.

In the heart of downtown Los Angeles, a group of residents of Skid Row founded a toy and craft manufacturing business, called Skid Row Access Inc. The company is now six years old with annual sales of about $100,000 and over 40 employees. The company president, Chuck McClain, is the one individual in the venture who is not a resident of Skid Row. McClain proclaimed, "I'm working with people who don't usually have access to some of the challenges and experiences of entrepreneurism. It's a cool thing" (Nelson, 1997).

At the community level, Kotkin (1997) asserts that in Latino neighborhoods in South Los Angeles and in other cities across the nation, a surge of "immigrant-led economic growth" is occurring. He reports the experiences of Danny Villanueva, a Latino venture capitalist who heads Los Angeles-based Bastion Capital, a $125 million fund targeting Latino-owned businesses. "Our people," states Villanueva, "are still of that work-ethic viewpoint. It's like my father used to say: 'Don't give me fish -- just teach me how to fish and put me where there are some.'" The numbers further support this premise - Los Angeles County has experienced a 700 percent increase in the number of Latino-owned businesses.

Conclusion

Urban revitalization efforts are occurring in both large and small cities throughout the nation. In spite of highly publicized challenges of the urban environment for business, attention is shifting to look at existing advantages. Capitalizing on the strengths of urban areas, model collaborative efforts among the private business sector, government, and community-based organizations have proven to be effective in alleviating urban problems. Such urban initiatives often involve entrepreneurial programs to help residents develop the necessary business savvy to succeed. Examples of entrepreneurial success can be found by looking at individual companies as well as more sweeping community trends.

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